

**Remarks of**  
**Commissioner David Svanda**  
**President of NARUC**  
**Michigan Public Service Commission**

**Roundtable Forum: The Impact of Competition on the Telecommunications Industry**

**April 4, 2003**

Thank you for inviting me to speak today. I am here wearing two hats, one as a Commissioner of the Michigan Public Service Commission and the other as the President of the National Association of Regulatory Utility Commissioners. First, I would like to speak to Michigan's efforts to foster local telephone competition. Following the adoption of the 1996 FTA, the Michigan Commission embarked on strategies to help to promote three modes of entry for competitors into the telecommunications market - resale, facilities-based and unbundled network elements. We have been very successful in Michigan working to promote the advancement of local telephone competition in the last few years. Of the three methods of entry Congress designated in the 1996 Act, the UNE or UNE-P has been the most successful to date. The Michigan Telecommunications Acts of 1991 and 1995, with amendments in 2000 complimented the FTA in promoting competition. As a result, we have seen the percentage of competition in the local exchange market in Michigan go from a low of 4% in 1999 to what we project today to be in the 24 - 25% range.

The Commission conducts surveys and reports the results annually to monitor the progress of competition in Michigan. Our last survey report for 2001 showed that of the almost 175

licensed competitive local exchange carriers in Michigan, only 42 reported actually serving customers. Of that number, 16 providers had less than 1,000 customers, 12 providers had between 1,000 and 10,000 customers and 14 served over 10,000 customers. This indicates that while competition is growing, it is concentrated among a small number of providers. We are conducting the survey for 2002 data and our preliminary results show that there are 16 providers serving over 10,000 customers out of the 200 providers that are licensed to serve and as mentioned the competitive providers share of customer lines in the SBC Ameritech area is expected to be in the 24 - 25% range as of the end of 2002. It is anticipated that competitive lines in the Verizon area would remain at below 1%.

As of the end of 2002, the Michigan Commission licensed 193 competitive local exchange carriers. As of December 2002, the Commission approved over 150 interconnection agreements between SBC and competitors. The top competitive carriers in Michigan in June of 2002 provided service to over 700,000 customers via the unbundled network platform (UNE-P). That accounted for over 70% of the lines that were provided to customers of competitors. The Federal Communications Commission (FCC) also continues to monitor the growth of competition through a reporting process and their reports generally verify the progress we report in Michigan.

The Michigan Commission has undertaken a very lengthy process to evaluate SBC's readiness to enter the long distance market. This involved collaborative meetings, conference calls and the issuance of several orders by this Commission during that period to clarify and set forth policy to guide the parties through the process. This process has spanned over three years and has involved very detailed testing of the systems that the competitors use to connect to SBC.

The Commission filed a report on January 13, 2003 in support of SBC's application stating that SBC had met the 14-point checklist requirement. With competitors gaining a large market share in Michigan and our orders on performance metrics, compliance and remedy plans it is reasonable that SBC should be allowed into the long distance market in Michigan. We feel that with the Commission's active role in the competitive process we can effectively guard against any backsliding and guard against anti-competitive behaviors by SBC once long-distance approval is granted. To date, the FCC has approved applications for 37 states and the District of Columbia. Currently, there are section 271 applications for five states - SBC's Nevada application, Qwest's multi-state application for New Mexico, Oregon, and South Dakota, and SBC's application for Michigan - pending before the Commission.

In my role as President of NARUC, I have been very active in the national UNE-P process. Across the country, over 10 million customers receive their local phone service from new entrants via the UNE platform so this is of great importance. States want the flexibility to act independently to evaluate the need for UNE-P in their own state to further the goals of protecting consumers and promoting competition. NARUC has long focused on the UNE-P issue and lobbied heavily for the states to play a significant role in conducting the granular analysis which affects our markets and to evaluate the need for continued availability of the UNE-P offering within each state's own geographic area. Late in 2002, with no apparent resolution to the triennial review debate in sight, I initiated a collaborative effort including the ILECs, CLECs and state commissions to see if a compromise position could be developed. Eight productive sessions were held. When it became clear that additional sessions of the parties would not result in a joint proposal for settlement to the FCC, NARUC resumed our advocacy of our long held positions in

this matter.

Following the issuance of the FCC's Triennial Review News Release, NARUC moved quickly to be prepared for the implementation phase. I have set up a task force to align NARUC's efforts to implement the FCC's order once it is released. The charge of the Triennial Review Implementation Project (TRIP) task force is to act as a clearinghouse and coordinator for information for the states, foster the exchange of information among the states, provide technical assistance by gathering state staff expertise and resources in one place, act as a facilitator in discussions to implement the FCC's order, but only to assist the states in conducting their own granular analysis. NARUC and all the states will play a major role in the implementation phase. NARUC appreciates your efforts Congressman Conyers and Congressman Sensenbrenner in supporting NARUC on the UNE-P issue and supporting the role of the states. I also commend your efforts to provide a check and balance to the development of a competitive telecommunications marketplace through the Congress and the House Judiciary Committee.

On another front, in 2002 Michigan's governor signed three bills into law designed to stimulate the availability of affordable high-speed Internet connections. Public Act 48 of 2002 created the Telecommunications Rights-of-Way Oversight Authority. Public Act 50 of 2002 provides tax credits for payments of rights-of-way fees. Public Act 49 of 2002 created the Michigan Broadband Development Authority to help finance the rollout of broadband services in underserved areas. We are currently in the process of implementing these Acts to promote the deployment of broadband in Michigan.

In Michigan, we have a growing wireless industry, which serves as an alternative to the traditional wire line telecommunications service. According to the FCC's most recent survey, Michigan reported 5% of mobile wireless subscribers receiving their service from a mobile wireless reseller and the report indicates almost 5,000,000 mobile wireless telephone subscribers in Michigan in June 2002. As you know, there is a problem with wireless number portability and this issue must be addressed for this service to be a viable competitive alternative. Information available to the Commission indicates that in the long distance market we find that the results of competition are evident in the number of toll package alternatives available and the number of providers who offer them as well as declining prices for higher usage customers who do not utilize basic toll schedules.

We are seeing positive progress in the development of the competitive telecommunications market and major revisions to the FTA are not needed at this time. Similarly, abrupt changes to the regulatory climate would not be productive for this sector at this time. We will be facing some important issues that will be acted on soon by the FCC. They include intercarrier compensation, dominant, non-dominant carrier status, the pick and choose rule, national performance measures and the wireline broadband issue. NARUC has set up another task force to deal with these issues. Competition is an important goal that should not be sacrificed because of cyclical changes in the marketplace. Thank you.